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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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CRIMINAL JUSTICE ACADEMY
AGENCY

APRIL 9, 1984

DATE

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
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EXECUTIVE DIRECTOR

RICHARD J. CAMPBELL
ASSISTANT DIVISION DIRECTOR

April 9, 1984

Mr. Tony Ellis
Division Director
Division of General Services
300 Gervais Street
Columbia, south Carolina 29201

Dear Tony:

Attached is the final Criminal Justice Academy audit report and recommendations made by the Materials Management Office. Since no certification request above the \$2,500 allowed by law remains to be considered by the Budget and Control Board, I recommend that this report be presented to them for the purpose of information.

Sincerely,

Richard J. Campbell
Materials Management Officer

RJC/ra

Attachment

MATERIALS MANAGEMENT OFFICE

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Surplus Property Supply, Warehousing & IMS
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758-2626 758-3246

Training & Research
300 Gervais Street
Annex 3
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State Procurements
800 Dutch Sq. Blvd.
Suite 250
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Information Technology Management Office
800 Dutch Sq. Blvd.
Suite 150
Cola., S.C. 29210
758-6060

Installment Purchase Program
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WILLIAM T. PUTNAM
EXECUTIVE DIRECTOR

TONY R. ELLIS
DIVISION DIRECTOR

November 21, 1983

Mr. Richard J. Campbell
Materials Management Officer
Columbia, South Carolina 29210

We have examined the procurement policies and procedures of the Criminal Justice Academy for the period July 1, 1982 - June 30, 1983. As a part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and Academy procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the Criminal Justice Academy is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimated and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with

reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions as well as our overall examination of procurement policies and procedures were conducted with due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the Criminal Justice Academy in compliance with the South Carolina Procurement Code and ensuing regulations.

Richard W. Kelly
Richard W. Kelly
Director of Agency Services

BACKGROUND

Section 11-35-1230 of the Consolidated Procurement Code states in part:

The board [Budget & Control Board] through consultation with the chief procurement officers shall develop written plans for the auditing of state procurements.

In procurement audits of governmental bodies, the auditors from the materials management office shall review the adequacy of the system's internal controls in order to ensure compliance with the requirements of this code and ensuing regulations.

On July 18, 1983, the Executive Director of the Criminal Justice Academy officially requested an evaluation of their existing procurement policies and procedures at the Academy in the Goods and Services and Consultant areas. As a result of this request, we conducted our audit of the procurement system on August 4, 1983, through August 30, 1983.

SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Criminal Justice Academy in the procurement areas of Goods, Services and Consultants, to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

The Audit and Certification team statistically selected random samples for the period July 1, 1982 - June 30, 1983, of procurement transactions for compliance testing and performed other auditing procedures that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

- (1) adherence to provisions of the South Carolina Consolidated Procurement Code and Regulations;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order register;
- (4) evidences of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;
- (8) file documentation of procurements;
- (9) reporting of Fiscal Accountability Act;

- (10) warehousing, inventory and disposition of surplus property; and
- (11) economy and efficiency of the procurement process.

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the Criminal Justice Academy produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. INTERNAL PROCUREMENT OPERATING PROCEDURES MANUAL	8
The Criminal Justice Academy does not have a written Internal Procurement Operating Procedures Manual.	
II. COMPLIANCE - GOODS, SERVICES AND CONSULTANTS	11
A. Procurements Not Made in Compliance with the Code	11
Our examination of transactions in the areas of goods, services and consultants determined that many procurements were not made in compliance with the Code.	
B. Open End Service Contracts	14
The Academy currently has service contracts that do not show a specified contract period. These are extended from year to year without soliciting competition.	
C. Ratification of an Unauthorized Procurement	17
The Academy failed to make a written determination of an unauthorized procurement.	

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III. GENERAL TRANSACTION CONTROL	19
A. Personal Food Purchases	19
In the past, staff employees have been allowed to purchase food directly from the wholesalers who are servicing the Academy.	
B. Cash Discounts	20
Cash discounts were not taken, as authorized, on procurements from at least one state term contract.	
IV. COMPLIANCE - GENERAL	22
A. Emergency Procurements	22
We found the majority of these transactions accurately reported, but we did encounter some exceptions which affect compliance with the Procurement Code.	
B. State Term Contracts	24
The Academy failed to use available state term contracts when procuring paints and welding gases.	
V. PRINT SHOP UTILIZATION	25
As part of our examination, the State Printing Officer analyzed Print Shop equipment and personnel utilization.	
VI. PROFESSIONAL DEVELOPMENT	30
Training of procurement personnel should be a standard agency policy.	

RESULTS OF EXAMINATION

I. INTERNAL PROCUREMENT OPERATING PROCEDURES MANUAL

The Academy has never developed a comprehensive Internal Procurement Operating Procedures Manual. Recent management restructuring, the loss by the agency of its primary procurement official, and growth in Academy spending in general, have created a critical need for such a document to control procurement practices throughout the Academy. Not only does a manual document the various policies and procedures to be followed by procurement personnel but also provides guidance to operating department personnel to prevent noncompliance and promote efficiency, effectiveness and economy in agency purchasing practices.

As evidenced in the following report sections, particularly the compliance errors noted in Section II, the exercise of control procedures to effect compliance in general procurement practices is immediately needed.

We recommend that a Policies and Procedures Manual be prepared as soon as possible. The following general topics should be addressed within the manual:

1. Procurement Authority
2. Purpose Statements (Goals and Objectives)
3. Determination of Compliance Statement with Consolidated Procurement Code
4. Ethical Standards
5. Organizational Chart

6. Listing of General Procurement Policy Statements,
i.e.:

Retention of Records
Restrictive Specifications
Expenditure of Funds (Federal)
Vendor Grievances
Minority Business Policy
Unauthorized Procurements
Term Contract Usage
Vendor Complaints
Professional Development
Conflict of Interest
Sample Submission
Authorized Signature Approval
Advance Notification of Needs
Approval Authority for Determinations
Official File of Determinations

7. Minority Business and Information Technology Plan
8. Exempted Commodities List
9. Fiscal Accountability Act Reporting
10. Receiving Procedures (Quality Assurance)
11. Disposition of Goods (Surplus Property)
12. Property Control and/or Fixed Asset System
13. Purchase Requisition Flow Chart

14. Small Purchases Less Than \$2,500 Methods
 - Telephone Quotations
 - Written Quotations
 - Blanket Purchase Agreements and Purchase Orders
 - Emergency and Sole Source Procurements
15. Other Procurement Procedures (if applicable)
 - Consultants
 - A & E and Construction, Land Surveying
 - Information Technology
 - Accounting, Audit, Legal, etc.
 - Leasing Real Property/Equipment
 - Confirmation Purchases
16. Procedure for Quarterly Reporting of Emergency, Sole Source and Trade-in Sales
17. Late Payment Penalty
18. Purchase Order Register
19. Formal Change to Purchase Order, Contract Procedures
20. Procedures for Print Shop Usage
21. Multi-Term Contract Procedures
22. Bidders List with Appropriate Procedures for Adding and Deleting Vendors
23. Maintenance Purchasing Procedures
24. Food Service Procurement Procedures
25. Pertinent "Exhibit" Appendix

II. COMPLIANCE - GOODS, SERVICES AND CONSULTANTS

A. Procurements Not Made in Compliance with the Code

Our examination of transactions in the Goods and Services and Consultant areas consisted of a random sample of 60 transactions for the Fiscal Year 1982/83 plus an additional 62 vouchers judgmentally selected as a "special review". We found the following purchases that were not made in compliance with the Code. These procurements were made without regard to the competitive source selection process nor were they justified as sole source or emergency purchases (unless otherwise indicated under the Description heading):

<u>VOUCHER</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
1) 0174	\$ 508.95	Repairs to bus
2) 0425	535.85	Algae treatment
3) 0462	612.71	SCCJA patches
4) 0496	517.40	Seal bearing assembly
5) 0552	747.19	Traffic cones
6) 0969	565.00	Maintenance contract for driving simulator
7) 1066	578.79	Plumbing and repair parts for pump
8) 1146	1,305.03	Bedsreads
9) 1877	700.00	Charges for moving truck body to range
10) 1204	624.00	Salad bar and sneeze guard. Also, this procurement was handled after the fact as shown by the follow-up dates: invoice date 2/17/82, purchase order and receiving date 3/1/82.
11) 1244	2,466.00	Maintenance contract for printing equipment
12) 1363	553.24	Building materials
13) 1387	1,420.05	Bearings, switches and gauges for chiller. Also an after-the-fact

			procurement as shown by the following dates: invoice date 3/17/83, purchase order approved 3/29/83.
14)	0133	1,785.00	Here only two written quotes received; Code requires three. The transaction was for labor and materials to remove carpet and install tile.
15)	0281	655.95	Padlocks
16)	0433	1,156.00	No competition obtained for bedspreads, or no purchase order in voucher package to cover the billing. Voucher paid direct from invoice.
17)	0464	698.00	Printing toner, solutions and miscellaneous supplies
18)	0571	604.28	Marble paper weights
19)	1249	717.90	Library furniture
20)	1338	662.97	Services for repair of A.V. equipment
21)	1479	655.20	Twin sheets
22)	1563	861.14	Printing supplies
23)	1714	702.94	Air conditioner compressor repairs
24)	1446	1,174.20	Positive film for POS I
25)	0871	698.40	Fabricating and installing dining room rail
26)	1540	855.95	Range instructor uniforms
27)	1034	1,000.00	Consultant for PR-24 Baton Instructor Course (no competition nor sole source)
28)	1749	5,579.00	This procurement for grading and paving of the driving range was declared an emergency procurement but was not reported in quarterly reports to General Services.

Regulation 19-445.2100, Subsection B, Items 2 and 3 state in part:

Purchases from \$500.01 to \$1499.99. Solicitations of verbal or written quotes from two qualified sources of supply shall be made and documented that the procurement is to the advantage of the State, price and other factors considered, including the administrative cost of the purchase. Such documentation shall be attached to the requisition.

Also,

Purchases from \$1500.00 to \$2499.99. Solicitation of written quotations from three qualified sources of supply shall be made and documented that the procurement is to the advantage of the State, price and other factors considered, including the administrative cost of the purchase. Such documentation shall be attached to the purchase requisition. When prices are solicited by telephone, the vendors shall be requested to furnish written evidence of their quotation.

Additionally, Section 11-35-1560 of the Code states:

A contract may be awarded for a supply, service or construction item without competition when, under regulations promulgated by the board, the chief procurement officer, the head of a purchasing agency, or a designee of either officer above the level of the procurement officer determines in writing that there is only one source for the required supply, service or construction item.

The emergency procurement of the grading and paving of the Driving Range is discussed in Section IV-A. The reason it is mentioned here also is that it was selected randomly in our statistical sample. Consequently, to maintain the statistical validity of the sample and the resulting conclusions derived from it, it must be considered here.

The Purchasing Department does not have an Internal Procurement Operating Procedures Manual as indicated in I, above. As a result, there are no specific written guidelines as to the proper procedures when purchasing for the agency. Partially as a result of this lack of written procedures, but also what appears to be

almost a total disregard for the Procurement Code and regulations, the Academy has not been in compliance with state law on these procurements.

Of further consequence, our test indicates with a 95% confidence level that as many as 37% of all transactions for goods and services and consultants may be affected by this condition.

We therefore recommend the following be implemented immediately:

1. The dollar limits and source selection process be addressed in their Internal Operating Procedures Manual.
2. That emergency procurements should be made with as much competition as is practicable under the circumstances, as required by Section 11-35-1570 of the Code.
3. That sections be made to channel all further procurements through the Purchasing Director so as not to create any after-the-fact procurements.
4. That all departments be fully informed of all procurement policies and procedures and that these policies and procedures be strictly enforced.
5. That all departments be made aware that consultant contracts are also subject to the Code and regulations.

B. Open End Service Contracts

In our test of transactions in the service areas, we found the following maintenance contract exceptions:

	<u>VOUCHER #</u>	<u>AMOUNT</u>	<u>SERVICE DESCRIPTION</u>
1)	01244	\$2,466.00	Printing Equipment Maintenance
2)	01302	\$1,363.00	Typewriter Maintenance

The first voucher was for a maintenance agreement for printing equipment that was originally established in 1973. No current contract could be found for this service. The voucher was paid only from an invoice without any documents to verify that the prices were current or correct.

On voucher #2, we determined through conversation that the contract began in May, 1981. Again, this voucher was paid only from an invoice without any verification of prices to a contract.

Neither of these services were supported by competitive bid documentation nor a sole source justification. It was determined, in fact, that two years ago a vendor other than the current vendor had the typewriter maintenance contract, proving there is competition available for this service.

These two contracts continue to be extended each year only by a letter from the vendor agreeing to such.

Although these agreements were entered into prior to the Code, they have been renewed since the Code's passage and are, therefore, not in compliance with the Code.

Section 11-35-2030 of the Procurement Code and Regulation 19-445.2135 address the conditions for the use of a multi-term agreement. These require that contracts for supplies or services be limited to one year unless it is determined in writing by the Procurement Officer of the governmental body that:

1. special production of definite quantities or the furnishing of long-term services are required to meet state needs; or
2. a multi-term contract will serve the best interests of the State by encouraging effective competition or otherwise promoting economies in state procurement.

Once this determination is prepared, a contract can be entered into for up to five years. This cannot be exceeded without Budget and Control Board approval.

The Materials Management Officer has interpreted the above section of the Code to mean that for an existing contract to be correctly characterized as multi-term agreement it must meet the following criteria:

1. it must have been originally solicited as a multi-year agreement with all respondents to the solicitation being aware of this; and
2. the contract must have specific guidelines for establishing charges and rate increases for subsequent years within the life of the agreement. This might be that fee increases will be based on the inflation rate or the consumer price index or that increases could be limited to 5%, 10% or some other agreed upon maximum. Fee increases cannot be left to the discretion of the vendor.

Further, Section 17 of the Appropriations Act for Fiscal Year 1983/84 requires the following:

Any contract entered into prior to July 30, 1981, by a governmental body as defined in Item (18) of Section 11-35-310 of the 1976 Code and which is proposed to be renewed must be renewed in accordance with the provisions of the South Carolina Consolidated Procurement Code (Chapter 35 of Title 11 of the 1976 Code).

This means that old contracts established before the enactment of the Procurement Code cannot be renewed or "rolled-over" unless they meet the above criteria. If renewal is required for an existing contract that was not procured under the Procurement Code, the renewal must be done in accordance with the Code. The renewal, in other words, is a new procurement.

These contracts and all other similar agreements should be reviewed against the above criteria. If the existing agreements are not multi-term contracts, new contracts must be solicited before the old contracts' renewal dates. Either competition must be solicited or a sole source determination must be prepared for each agreement.

Further, if the Academy wants to establish the new contracts as multi-term agreements, a multi-term determination and finding must be prepared for each. For this to be proper, the new contracts must meet the criteria stated above.

C. Ratification of an Unauthorized Procurement

During our examination, we noted one order that was obtained directly by an individual outside the scope of purchasing author-

ity. The requisition was submitted "after-the-fact" for payment to be processed by Purchasing as shown by the following dates: order placed 4/5/83, purchasing order issued 4/11/83. This transaction, voucher 01540 totaling \$855.95, was for clothing for range instructors. Also, no competition for the procurement was obtained as required by Regulation 19-445.2100(B), Item 2.

The unauthorized purchase was, in effect, ratified for payment without the required written determination. As indicated in Procurement Code Regulation 19-445.2015, Subsection A: Unauthorized Procurements, Item 3:

...the head of the governmental body shall prepare a written determination as to the facts and circumstances surrounding the act, what corrective action is being taken to prevent reoccurrence, action taken against the individual committing the act, and documentation that the price paid is fair and reasonable. If the price paid is unreasonable, the individual may be held pecuniarily liable for the difference.

This example serves to illustrate a weakness of procurement department personnel in understanding those sections of the Code which pertain to procurements requiring a written determination. The problem is compounded by the fact that the Academy does not have a Purchasing Policies and Procedures Manual in which this part of the Code would be addressed with clarity.

We recommend that the "to be written" purchasing policies and procedures of the Criminal Justice Academy be explicit when addressing the policy regarding "Unauthorized Procurements". We do feel that operating departments or sections should be allowed

to obtain prices or reference suggested vendors on their requisitions as long as the authorized procurement process is being followed. However, it should be clearly stated that departments are not authorized to make awards, nor assure vendors that they will receive orders, as commitments should only be finalized by the Purchasing Department.

III. GENERAL TRANSACTION CONTROL

A. Personal Food Purchases

During our audit of the Criminal Justice Academy, we were requested to specifically comment on the control problems surrounding the practice of staff employees buying food commodities and meats directly from wholesalers and vendors servicing the Academy. Through conversations with Academy personnel, it appears that in the past certain employees were ordering and receiving foods from some of the wholesalers that delivered to the Academy kitchen.

These employees would write a personal check for the items at the time of delivery. The Academy foods would be signed for as received and the Academy billed by invoice. Both orders when applicable would be delivered at the same time on the same truck and kept in the same storage cooler.

We found no evidence whatsoever of any impropriety by current or former employees. The operation of any state food service facility, however, must be in strict adherence to all state laws

and regulations which may be applicable. The 1983/84 Appropriations Act, Section 134, states in part:

...That salaries paid to officers and employees of the State, including its several boards, commissions, and institutions shall be in full for all services rendered, and no perquisites of office or of employment shall be allowed in addition thereto, but such perquisites, commodities, services or other benefits shall be charged for at the prevailing local value and without the purpose or effect of increasing the compensation of said officer or employee.

It is our belief that the use by individuals of agency purchasing power to obtain food items at lower than market cost is a probable violation of this section of the Appropriations Act.

There is also a control problem connected with staff personnel buying food directly from Academy vendors and storing it in the kitchen coolers.

We reviewed a memorandum dated in March, 1983, from the current Executive Director to all staff personnel forbidding individual food purchasing through Academy vendors either in the Academy's name or the individual's name. We concur with this action and recommend this policy be placed in the agency Procurement Policies and Procedures Manual.

B. Cash Discounts

Our testing of sample transactions revealed that the Accounts Payable Department did not take allowable cash discounts for timely payment of invoices in one instance as authorized by the

invoice terms and/or state term contract. The invoice terms entitled the Academy to a 2% discount when payment was made within 30 days. Of the four payments involved, we determined the Academy has lost \$60.48 in cash discounts. All invoices were paid within 18 days after receipt of the invoice and/or materials.

We recommend that the term contract number and any available discounts be shown on all purchase orders.

Further, we recommend the invoice review process be formalized to improve the handling and control of disbursement documents. One beneficial method of controlling the invoice review process involves the use of a checklist stamp on the invoices. This would provide evidence of performance by requiring the initials of the employee performing the procedure. The checklist would contain the functions to be performed in order to satisfy the needs of the Academy as well as the requirements of good internal control.

For example, the checklist might be similar to the following:

	Performed or Approved <u>Section</u>	<u>Finance</u>
Original invoice received	_____	_____
Signed receiving report received	_____	_____
Quantity & price agreed to P.O. or contract	_____	_____
Extensions and totals verified	_____	_____
Coding checked	<u>X</u>	_____
Proper discount taken	_____	_____
Vendor number check	<u>X</u>	_____
Sales or Use Tax checked	_____	_____
Payment approved by Section	<u>X</u>	_____

Items not required to be performed should be clearly indicated as in the above example by insertion of an X.

Payments should not be processed until all applicable initials are placed on the checklist.

IV. COMPLIANCE - GENERAL

A. Emergency Procurements

We examined the quarterly reports of sole source and emergency procurements and all available supporting documents for the period July 30, 1981 - June 30, 1983, for the purpose of determining the appropriateness of the procurement action taken and the accuracy of the reports submitted to the Division of General Services, as required by Section 11-35-2440 of the Code. We found the sole source transactions to be proper and accurately reported, but we did encounter the following problems with the reported emergency procurements:

<u>P.O.#</u>	<u>AMOUNT</u>	<u>EXCEPTION</u>
02486	\$2,392.00	There was no written determination and finding in the file to support this emergency procurement as required by the Code.
03940	\$5,579.00	This procurement for "patching and repaving the driving range" was declared an emergency on January 4, 1983. The invoice was dated May 3, 1983, but all work was not satisfactorily complete until June and approval for payment was authorized June 28, 1983. The true emergency condition should have been explained in more detail on the emergency justification form and should have included some explanation of the reason why the emergency was declared in January but the project was not completed until June. Although agency personnel stated informal quotes were obtained prior to award of the job, these

quotations were also not documented in the voucher package. As a final problem, this procurement transaction was not reported to the Division of General Services as an emergency as required by the Code.

Section 11-35-1570 of the Code states in part:

...the chief procurement officer, the head of a purchasing agency, or a designee of either officer may make or authorize others to make emergency procurements.... A written determination of the basis for the emergency and for the selection of the particular contractor shall be included in the contract file.

Future emergency procurements should only be made for those unforeseen complications created by machine malfunction, natural disaster or fire loss, which create an immediate and serious need for supplies, services, or construction that cannot be met through normal procurement methods and the lack of which would seriously threaten:

1. the function of state government;
2. the preservation or protection of property; or
3. The health and safety of any person.

In all cases, the determination and finding should completely justify the action taken. This must include an explanation of how the emergency situation arose, what efforts were made to obtain competition in the time available and a full explanation of events and the conclusions reached. Furthermore, all emergency procurements must be reported to the Materials Management Office in the quarter they occur.

B. State Term Contracts

Our test determined that the Criminal Justice Academy purchased items that were available through state term contracts, of the Materials Management Office, from other than the appropriate contract vendors. The following procurements were not made in compliance with the Code and regulations:

<u>P.O.#</u>	<u>ITEM</u>
03845	Paint
03440	Paint
03270	Paint
03144	Paint
04788	Welding Gases
04521	Welding Gases

Section 11-35-310 of the Consolidated Procurement Code defines a term contract as a contract established by the Materials Management Office for a specific product or service for a specific time and for which it is mandatory that all governmental bodies procure their requirements for such goods and services during its term.

The term contract catalogue was not reviewed thoroughly to determine if above items were available through state contract.

We recommend that the Purchasing Section be attentive to the term contract catalogue to identify items that are available through state contract before procurements are made. Also, the procurement officer should periodically review the contract catalogue thoroughly to assure all contract sheets are current and up to date.

V. PRINT SHOP UTILIZATION

As part of our total auditing process, the State Printing Officer has made a review of the Academy print shop operations from an efficiency and effectiveness standpoint. His report is reproduced below:

Duplicating Equipment Utilization Analysis

Standards for evaluating efficiency and effectiveness of duplicating equipment in the Criminal Justice Academy's Print Shop were established in part by the Legislative Audit Council* and the State Printing Manager. [*See Program and Operational Review of Printing, Duplicating and Photocopying Activities of South Carolina State Agencies, November 14, 1978. (Available by contacting the Legislative Audit Council)]. The Print Shop is currently operating two (2) separate pieces of offset duplicating equipment. The criteria for evaluating equipment utilization has generally been established as 50% of the rated machine speed of the equipment being analyzed.

A minimum for use levels has been developed by allowing three and one-half (3½) hours out of each seven and one-half (7½) hour working day to be used for job set-up time, clean-up time, finishing, routine maintenance, breaks, and miscellaneous down time. The number of hours equipment is available for operation annually is the same number of hours an operator would be on the job.

	<u>HOURS</u>
37½ hours straight time per week X 52 weeks =	1,950
Less: 15 days annual leave..... =	112.5
15 days sick leave..... =	112.5
11 holidays..... =	<u>82.5</u>
	307.5

1950 hours available minus 307.5 hours = 1,642.5

1642.5 divided by 7.5 hours = 219 days

Utilizing the production standards mentioned, 100% utilization would be obtained by maintaining the standard four hours per day. The number of working days per month based on 219 days divided by 12 equals 18.25 days.

In this analysis all duplicating equipment has been evaluated and a percentage of utilization calculated. Man-hours have been analyzed using basically the same criteria established for evaluating equipment utilization. The combination of man-hour and equipment utilization indicate the overall efficiency of the Print Shop.

Equipment Inventory

1. A. B. Dick 369 Automated Offset Duplicator
2. A. B. Dick 369 Automated Offset Duplicator
3. A. B. Dick 675 Master Maker
4. A. B. Dick 675 Master Maker
5. 30 Bin Pitney Bowes Collator and Stitcher

6. Challenge 3 Hole Drill
7. Triumph 18" Paper Cutter
8. NuArc Platemaker
9. 20 Bin GBC Collator
10. Shrink-Wrap Machine and Dryer
11. A. B. Dick Model 58 Table Top Folder

Employees

1. Printing Equipment Operator III
2. Inmate - Full Time

The production records provided by Criminal Justice do not indicate the number of impressions produced on each piece of duplicating equipment. However, an overall number of impressions has been provided for the two pieces of equipment utilized during the period of July 1, 1982 through June 30, 1983. This data will be analyzed for the purpose of this equipment and man-hour utilization study. I have requested that Criminal Justice keep records in the future relative to the number of impressions produced on each piece of duplicating equipment individually to more adequately assess productivity.

Equipment Utilization Analysis

1. A. B. Dick 369 Offset
2. A. B. Dick 369 Offset

Total number of impressions produced from July 1, 1982 through June 30, 1983: 2,104,134.

Total Annual Volume - 2,104,134 impressions

Average Monthly Volume - 175,345 impressions

Average Monthly Volume for each A. B. Dick 369 - 87,673
impressions

2,104,134 Annual Impressions divided by 219 working days = 9,608

9,608 Daily Impressions divided by 3,000* impressions per hour =
3.20 hours

3.20 hours is 40% of 8 hours (Representing 100% Utilization for two pieces of equipment daily.)

Equipment Utilization - 40%

* The normal production standard for an A. B. Dick 369 Offset Duplicator is 4,000 impressions per hour. However, in this facility the equipment is in poor mechanical condition, and the operators are required to put together manuals, deliver to instructors or classrooms, and cater to the duplicating needs of guest instructors on a quick turnaround basis. Because of the circumstances at Criminal Justice the normal production standard cannot be maintained. Consequently, the standard for the equipment has been lowered to 3,000 impressions per hour.

Man-Hour Utilization Analysis

Number of Employees - Two (2) full time.

1. Printing Equipment Operator III
2. Inmate - Full Time

Volume Produced Overall - 2,104,134 impressions.

2,104,134 divided by 219 Working Days = 9,608 impressions per day.

9,608 impressions per day divided by 2 employees = 4,804 impressions per employee.

4,804 impressions per employee divided by 3,000 impressions = 1.61 hours.

1.61 hours is 40% of 4 hours (Representing 100% Utilization).

Man Hour Utilization - 40%

100% Equipment Utilization would generate - 5,256,000 impressions.

Actual Equipment Utilization - 2,104,134 impressions

100% Man Hour Utilization - 1,752 hours

Actual Man Hour Utilization - 701 hours.

Recommendations

This agency should determine, on an immediate basis, the bottom line cost of operation in the Print Shop as it now exists. Once this is determined it should be weighed against the service the printing facility provides the agency. If it is determined the

Print Shop is efficient on a cost basis, an effort should be made to update the existing duplicating equipment; the equipment is partially responsible for a low utilization percentage because of a seemingly constant state of disrepair.

We would expect the Academy to address the above recommendations on a timely basis.

VI. PROFESSIONAL DEVELOPMENT

Personnel training is a critical factor in the successful operation of an efficient and effective procurement system. In conjunction with the recent hiring of a new purchasing officer, we feel an emphasis on professional development should be stressed. One of the primary purposes of the Procurement Code is "to train procurement officials in the techniques and methods of public procurement." [Section 11-35-20(k)] We offer the following suggestions to promote the professional development of your procurement officer:

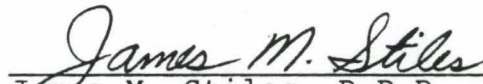
1. Include a policy statement on professional development goals in your Internal Procurement Operating Procedures Manual.
2. Budget available funds for procurement training such as the basic, intermediate and advanced purchasing seminars given by the National Institute of Governmental Purchasing.

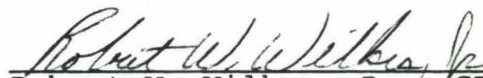
3. Promote participation in professional purchasing organizations such as the South Carolina Association of Governmental Purchasing Officers (SCAGPO).
4. Promote the attainment of professional certification of the purchasing staff such as Professional Public Buyer (PPB) or Certified Public Purchasing Officer (CPPO).
5. Permit attendance at the Code updates given periodically by the Materials Management Office.

CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place the Criminal Justice Academy in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Subject to this corrective action and because additional certification was not requested, we recommend that the Criminal Justice Academy be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the Procurement Code.


James M. Stiles, P.P.B.
Auditor in Charge


Robert W. Wilkes, Jr., CPA
Director, Audit and Certification

JAN 17 1984



State of South Carolina
Law Enforcement Training Council

CRIMINAL JUSTICE ACADEMY

5400 Broad River Road
Columbia, South Carolina 29210-4088
Phone: (803) 758-6168

January 12, 1984

Ms. Barbara A. McMillan
Director of Agency Services
Division of General Services
Budget and Control Board
300 Gervais Street
Columbia, SC 29201

Dear Ms. McMillan:

My staff and I have reviewed the revised draft of the recent audit of procurement policies and procedures. Presented below is our response on behalf of the South Carolina Criminal Justice Academy to your letter of December 15, 1983, as outlined in your document.

I. INTERNAL PROCUREMENT OPERATING PROCEDURES MANUAL.

The need for a comprehensive, yet understandable and workable procurement manual to direct internal procurement policy is readily acknowledged by the South Carolina Criminal Justice Academy. Our procurement officer has been working on the project, within guidelines presented in the audit, for several weeks. We anticipate completion of said document and its implementation no later than the end of January, 1984.

II. COMPLIANCE - GOODS, SERVICES & CONSULTANTS.

- A. Procurement Not in Compliance with Code.
- B. Contracts.

We have reviewed thoroughly the list of exceptions as presented in this section of the report, and acknowledge

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Ms. Barbara McMillan
January 12, 1984
Page 2

these are failures on the part of the Academy to follow certain procedures, but do not represent any deliberate wrong doing. The items 1-5, that have been detailed as recommendations, are being and will continue to be implemented. Memos have been issued covering procedures, and the channeling of all purchasing through the procurement officer. In addition, tighter control and liason has been established between the property control officer and the procurement officer. Particular attention is being paid to dollar limits, policies/procedures, and contracts.

As soon as the procedures manual is complete it will be implemented, and back-up memos will be issued as necessary.

All existing contracts are being reviewed by the procurement officer and where applicable are being canceled. All renewals or new contracts are being processed in compliance with appropriate procedures.

C. Ratification of Unauthorized Procurement.

Steps have been taken since completion of the recent audit, and will be continued to prevent any recurrence of unauthorized purchasing. Where such may inadvertantly occur, appropriate steps will be taken to make the necessary determination within the context of the State Procurement Rules. Appropriate forms and guidelines have been developed to cover this project.

III. GENERAL TRANSACTION CONTROL.

A. Personal Food Purchase.

Absolutely no personal food purchases will be allowed. An original memo and a follow-up have been issued to this effect. The Director of Administration routinely monitors this area. This matter shall be addressed in the procurement manual.

B. Cash Discounts.

It is the policy of the South Carolina Criminal Justice Academy to take cash discounts on all payments

where appropriate. Any failure to have done so would have been purely accidental.

In order to strengthen our attempts to avoid such discrepancies, the Accounting department is adopting the use of a check-list similar to the one displayed in the Audit report.

IV. GENERAL COMPLIANCES.

A. Emergency Procedures.

South Carolina Criminal Justice Academy will make every attempt to procure the minimum amount of materials under the sole source and/or emergency procurement rules. In the future, if and when such is the case, the procurement officer will be responsible for seeing that all necessary justification and certification is executed properly and so reflected in the file.

B. State Term Contracts.

State term contracts have presented some problem in the past, primarily in the area of maintenance items, i.e. paints, etc.

Since completion of the audit, we have held several meetings with the parties involved in this area and have issued appropriate memos. Much more workable liaison has been established between Building Services and Purchasing and this arrangement should prevent future contract violations. Where contract deviations are necessary to accomplish a particular mission, all parties are instructed to work through the purchasing department to insure proper documentation. This area of concern will continually be monitored by management.

V. PRINT SHOP UTILIZATION.

A thorough study of the Academy's print shop operation has been undertaken. Subsequent to the referenced report, document dated November 15, 1983 was filed with Mr. Campbell's office. This document summarizes the Academy's position and is attached hereto.

Ms. Barbara McMillan
January 12, 1984
Page 4

VI. PROFESSIONAL DEVELOPMENT.

The steps outlined in items 1 - 5 of this section are essentially what is now in place. Subsequent to the Audit, the procurement officer has attended the State's basic purchasing course. He is also planning to attend a more advanced course and is researching professional organizations.

In addition, the property control officer has had considerable training and experience and is lending the benefit of his advice to the procurement officer where appropriate.

Some additional clerical help has also been made available to help keep the tremendous paperwork load up to date.

I trust that these responses will adequately indicate our desire and efforts of the South Carolina Criminal Justice Academy to maintain our house in order where procurement and related activities are concerned.

Sincerely,



John A. O'Leary
Executive Director

JAO:GD:dsm

cc: G. Dorn - Director of Administration
B. Bloom - Administration
B. Leath - Purchasing
D. Harrell - Accounting
L. Matthews - Property Control



State of South Carolina
Law Enforcement Training Council
CRIMINAL JUSTICE ACADEMY

5400 Broad River Road
Columbia, South Carolina 29210-4088
Phone: (803) 758-6168

November 15, 1983

Mr. Richard J. Campbell, Director
Materials Management Office
General Services Division
800 Dutch Square Blvd.
Columbia, SC 29210

ATTENTION: Mr. Robert Bass

Dear Robert:

Thank you for the opportunity to respond to our printing needs.

After evaluating our last meeting and your subsequent memo, we have reanalyzed both volume and costs. Presented below are volume and costs figures based on our best estimates for 1983-84 and 1984-85 averaged over the period.

I. <u>Volume Estimated</u>		<u>Estimated Annual Impression</u>
A. <u>Long Term - Recurring</u>		
Basic Training Manuals--		
1500 pages average 660		
Basics (annually) =		990,000
B. <u>Supplement and Eratta</u>		
to above. Approximately		
20% of volume per annum =		198,000
(Please note: this often		
constitutes a 24-48 hour		
turn around problem).		
C. <u>Short Term - Primarily</u>		
visiting instructors and		
quick updates. Approxi-		
mately 10 instructors per		
month average 30 pages at		
165 students average =		594,000

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D. General support and administrative printing. i.e., booklets, forms, schedules, etc. - estimated 12,000 to 15,000 per month = average year estimate of 175,000

E. Logistical Support:
Represents request that we now have and should be doing but have had difficulty providing service due to limitations on equipment.

1. Highway	85,000
2. South Carolina Department of Corrections	340,000
3. Parole/Community Corrections	350,000
4. All other	50,000

Total Estimated Annual Volume (Impressions)	2,782,000
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II. Costing

A. Based on a recent exercise completed for you by Mr. Taylor, the average cost per impression is approximately 1.6 or roughly \$16.00/1000.

B. I have also attempted to estimate costs at our scheduled budget which is as follows:

<u>Estimated Costs</u>	<u>1983-84</u>	<u>1984-85</u>
1. Print Shop Supervisor Salary and contingencies	\$20,906	\$22,634
2. Inmate Earnings	900	1,500
3. Equipment Maintenance	1,050	500
4. Print Supplies	16,000	18,000
5. New Equipment, if allowed. (annualized in 1984-85)	8,000	16,000
6. Other contingencies	4,000	3,000
	<u>\$50,856</u>	<u>\$61,634</u>

7. Average of both years = \$56,245.
8. Average cost annually estimated
Impressions = approximately 2¢
per impressions; roughly \$20/1000.

Summary of costs: Based on annual budget and on job calculations our overall costs is expected to run approximately \$16.00 to \$20.00 per 1000 volume.

Finally, there are several other factors which need to be considered:

In the event that materials management does not support our request in reference to the SCCJA print shop, we still have to face the fact that the need does not diminish. Presented below is a cost estimate based on any alternative which does not leave the academy print shop intact.

- | | |
|---|--------|
| A. Average number impressions on 1 week to 30 days turnaround = 1,165,000 x \$16.39/1000,
(your information) = | 19,094 |
|
B. Short term capability based on 24-48 hours turnaround which we absolutely can not control. | |
| $\begin{array}{r} 198,000 \\ + 594,000 \\ \hline 792,000 \end{array} \times 3\text{¢}$ | |
| (We estimate quick copy capability will not cost less than three cents per if amortization is included) | 23,760 |
| C. Printing Coordinator, time and transportation estimate = | 25,000 |
| <i>TOTAL</i> | 67,854 |

Please note that the State stands to save little or nothing by an alternative method.

In closing, I would ask that you also consider that the SCCJA provides jobs to at least one and sometimes two SCDC inmates. In addition, some of our material is not the kind that would behoove the academy to leave the premises.

Please contact myself, Ms. Bloom or Mr. Taylor if we need to provide further information.

Sincerely,


George H. Dorn
Director Administration/Support Services

GND:mlj

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
300 GERVAIS STREET
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DIVISION DIRECTOR

March 27, 1984

Mr. Richard J. Campbell
Materials Management Officer
800 Dutch Square Boulevard, Suite 150
Columbia, South Carolina 29210

Dear Richard:

We have returned to the Criminal Justice Academy to determine the progress made toward implementing the recommendations in our audit report covering the period July 1, 1982 - June 30, 1983. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

The Audit and Certification Section observed that the Academy has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system.

Because additional certification was not requested, we recommend that the Criminal Justice Academy, therefore, be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the Procurement Code.

Sincerely,

Richard W. Kelly
Director of Agency Services

RWK:bs

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